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**PROSPECTS FOR INTERNATIONAL
ECONOMIC DEVELOPMENT—
AN ESSENTIAL ELEMENT OF GLOBAL STABILITY**



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**STRATEGIC STUDIES INSTITUTE
US ARMY WAR COLLEGE
Carlisle Barracks, Pennsylvania**

**PROSPECTS FOR INTERNATIONAL
ECONOMIC DEVELOPMENT—
AN ESSENTIAL ELEMENT OF GLOBAL STABILITY**

by

Alwyn H. King

30 June 1980

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FOREWORD

This memorandum considers the enormous, and in some cases still growing, gap which remains between the levels of economic and social welfare of the advanced countries and the developing countries. The author contends that the realities of the world power structure clearly identify the United States as the only nation with the economic, political and potential moral strength to lead the world toward its development goals. However, he continues, the United States has never reached the UN goal of official development assistance of 0.7 percent of GNP and frequently has been guilty, under domestic pressures, of protectionism against Third World exports. He concludes that the long-term strategic, as well as humanitarian, importance of achieving a more equitable world order dictates that the United States review its development aid policies with a view to stabilizing and broadening the economic base of developing nations.

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This memorandum was prepared as a contribution to the field of national security research and study. As such, it does not reflect the official view of the College, the Department of the Army, or the Department of Defense.


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DR. ALWYN H. KING joined the Strategic Studies Institute in 1973. He holds an engineering degree from McGill University, a master of science degree from Columbia University, a master's degree in business administration from Babson College, and a doctorate from Stuttgart Technical University in Germany. He has been associated with the Brunswick Corporation Research and Development Laboratories and with Arthur D. Little, Inc., and is the author of a number of articles and research reports in the literature of both the physical and social sciences. Dr. King holds the rank of Colonel in the US Army Retired Reserve.

**PROSPECTS FOR INTERNATIONAL
ECONOMIC DEVELOPMENT—
AN ESSENTIAL ELEMENT OF GLOBAL STABILITY**

The world is in a period of transition. The conflict of interests between the market economy countries and the Communist world continues, but superimposed on it there is now what has been called the "North-South conflict." This designation refers to the urgent need to reconcile the interests of the industrial and the developing countries, and to overcome famine and economic deprivation throughout the world community.

The transitional state in which we find ourselves confronts the Western countries (and Japan) with a dual challenge. They must continue to maintain an adequate military balance against the Soviet Union and the Warsaw Pact; at the same time they must face a new task—that of recognizing global interdependence and steering the changing world toward a system of international cooperation. The task of achieving a world order of equal rights and pluralism, the announced goal of the Western democracies and most Third World countries, is made all the more difficult by the pervading Soviet design of world revolution. For Moscow, the new world order means the victory of Soviet ideology and the Soviet

state: it means unification of the world, but a unification under Marxist rule.

The late Professor Fritz Baade, noted German economist and one of the foremost proponents of international economic development, once said:

We must see to it that the poor peoples are rescued from their poverty at first into a state of reasonable prosperity and later to an ever growing degree of wealth. If we are unable to achieve this, an explosive situation will arise, threatening to send up the whole world. The effect on us people in prosperous countries would be just as disastrous as an atomic bomb.¹

or, as Edward Teller has put it:

...the industrial machine of advanced countries is burning the oil away from those for whom it is the daily bread, and this will remain so for decades to come.

Therefore we are in trouble. Europe and Japan are in greater trouble. But the places where there will be starvation by the millions and the tens of millions are in the Third World and, if people are in despair, they will disagree—they will fight—and there will be war.²

Without attempting to devise a scenario to depict just how this disaster would come about, it seems clear that the achievement of an equitable world order is much to be preferred rather than the likely alternative—escalating rich-poor conflict on a global scale, the breakdown of whatever international cooperation we now have, and finally subversion, terrorism, and all the other forms of disruption to which higher-industrialized societies are especially vulnerable. The recognition of this problem is not a recent phenomenon; in 1975, Secretary of State Henry Kissinger took note of the world's increasing economic interdependence and declared it in the "enlightened self-interest" of the industrial nations to meet some Third World demands.³

There is a growing awareness throughout the world community of nations that North-South inequalities and perceived economic injustices are as much a threat to global peace and prosperity as is the East-West political conflict. A more equitable distribution and more efficient utilization of the earth's resources should make it possible for everyone to enjoy a share of a larger pie, instead of continuing to divide a given pie into smaller unequal pieces with the inevitable squabbling over who gets which piece.

The desire to achieve an improved world order led to the establishment of the United Nations Conference on Trade and Development (UNCTAD) by the UN General Assembly in 1964. Since that time, attempts have been made to reach agreement on programs of action based on policy guidelines laid down at the full conference sessions. Such sessions have been held at Geneva (1964), New Delhi (1968), Santiago (1972), Nairobi (1976) and Manila (1979). Recognition by the international community of the need for radical changes in the institutional framework of international economic relations led in 1974 to adoption by the UN General Assembly of a Declaration on the Establishment of a New International Economic Order. Since then, however, little progress has been made in implementing the recommended structural changes.

THE HISTORY OF DEVELOPMENT

The international development problem arises from the basic fact that the world's goods—food, natural resources, climate—are not evenly distributed. This condition, aggravated by political, religious and managerial conflicts and deficiencies, results in a wide gap between living conditions in the rich and the poor nations. The often-repeated, and perhaps overemphasized statistics are worth repeating once more, if only to remind one of the truly enormous problem we face. In general terms, approximately two-thirds of mankind live in relative poverty and near-famine. Ten percent possess about ninety percent of the world's benefits. Per capita income of large sections of the earth's population is less than \$200 per year. (Per capita income in the advanced industrial countries averages over \$4,000.) It has been estimated that 900 million, mostly farmers, in the less-developed countries earn less than \$100 per year.

To belabor the point, in ten countries with an annual average per capita income of \$145, the poorest 40 percent of the citizenry receive the equivalent of about \$50 per year! Finally, it is estimated that 15 million people die each year from starvation, malnutrition and associated diseases. Thus, the size of the problem is obvious, as is the basic difficulty: an uneven distribution of food, jobs, money, education, and material resources.⁴

The change we have recently witnessed, from colonialism with its potential for exploitation to interdependence with its own potential

for coercive economic pressures, began immediately after World War II. After an interim period, marked by ethnic and communal conflict, and political chaos in some of the former colonies overwhelmed by their sudden independence, the process of negotiating for development aid began.

The era of colonialism had provided the developed countries with a quick political and economic return on their investment. This changed abruptly in the 1960's, when the developing countries, becoming known as the Third World, found that for a variety of reasons—the shrinkage of aid flow, rapidly increasing population, monetary turmoil, inflation—they were not sharing in the economic advances of the more-developed parts of the world. Sparked by OPEC, this led to an open challenge in the 1970's, when Third World countries discovered that their natural resources, on which the richer countries depended for their prosperity, were effective bargaining weapons.

During the 1950's and 1960's, development "aid" concentrated on individual investment projects, agreed upon bilaterally, usually between a representative of a multinational corporation and an often somewhat naive "Foreign Minister" of the newly viable nation. The predominant belief was that the strength of development assistance lay strictly in the economic sphere. Development programs were not philanthropic; they were largely competitive among industrialized nations, and the developing countries often enjoyed playing off their benefactors one against the other for prestige projects. According to popular legend at the time, Coca-Cola bottling plants abounded in areas whose inhabitants could little afford the basic necessities, much less the "pause that refreshes." The perceived problem was a lack of overall planning and organization.

Partly due to the UNCTAD conferences, the pattern of development aid gradually changed. By the early 1970's, larger-scale programs aimed at regional development goals, and with some international coordination, were initiated. There was a growing recognition of the social aspects of development, such as education, level of employment, family planning and the concept of "appropriate technology." Still, the human problems of resistance to change, selfishness, and frequent insistence on "prestige industries" rather than those of real value to the countries' poorer citizens limited the success of international development.

In fact, relative to the industrial nations, the situation of the world's developing nations actually worsened between 1940 and 1970. The gap between the "haves" and the "have nots" widened. In 1940, the developing nations accounted for 32 percent of total world exports; in 1960 their share had dropped to 25 percent, and by 1970 it was down to 20 percent. Although actual profits from Third World exports were up (in 1970) by 150 percent, the industrial nations' profits were up over the equivalent period by 420 percent.³

Furthermore, income distribution within the developing countries was as inequitable as it was on a worldwide scale between the rich and poor nations. Even well-planned projects, carefully tailored to the needs of the recipient nations' economy, frequently benefitted the wealthier segment of the population and did little for those who were most in need of aid.

The parliamentary history of development aid centers around UNCTAD. The sessions of 1964 and 1968 accomplished very little. Customs preferences for Third World countries were agreed upon in principle, but with many exceptions. Among the few concrete results of UNCTAD II was the announcement of the UN Second Development Decade, and a guarantee of participation in the International Monetary Fund (IMF) for the "Group of 77."⁴

UNCTAD III, held in Santiago in 1972, made some progress, but was marked by a lack of solidarity among the less-developed countries (LDC's). There was rivalry between Third World producers of the same commodities, and proposals for special privileges for the least-developed countries, the "poorest of the poor," were questioned by other countries who were almost as poor! Even the few resolutions upon which the developing countries were able to agree were not acceptable to the industrialized nations. In response to LDC demands for greater participation in international monetary decisions, an agreement was reached at UNCTAD III to set up a 20-member committee of the IMF with nine LDC's represented, to outline ways in which special drawing rights (SDR's) could be used for Third World development programs without contributing to worldwide inflation. In addition, the conferees agreed on a need for action, especially to help the least-developed countries, but most items on the agenda were carried over to UNCTAD IV without action, and with no definite commitments on the part of the industrialized world.

Principal Agencies Involved in International
Economic Development

Organization for Economic Cooperation and Development (OECD)
Membership--24 industrial countries

Group of 77
Membership--112 developing countries
Plans strategy for third world

UN Conference on Trade and Development (UNCTAD)
Membership--153 industrial, developing and Communist countries
Provides forum where developing countries may present their case
to the industrial bloc

Conference on International Economic Cooperation (CIEC)
Membership--19 developing countries and seven participants from
industrial bloc, with one of these the European Common Market
Provides forum for major representatives of developed and
developing countries

Organization of Petroleum Exporting Countries (OPEC)
Membership--13 countries that together produce two-thirds of
world oil exports
Has power to fix prices

World Food Council
Membership--36 industrial, developing and Communist countries
Seeks world food security, reviews food-aid policies

International Monetary Fund (IMF)
Membership--126 countries
Makes loans to countries with balance-of-payments difficulties

World Bank
Membership--125 countries
Makes loans and grants for development projects

General Agreement on Tariffs and Trade (GATT)
Membership--83 countries
Manages international trade negotiations

Figure 1.

By 1976, and UNCTAD IV in Nairobi, the OPEC oil embargo and price hikes had added another degree of complexity to the international development picture. The world was no longer considered to be composed of the "rich" and "poor," or the "haves" and "have nots," but was now recognized as three groups, the industrialized countries, the commodity exporters, and the developing countries. The oil exporters in particular could no longer be considered "have nots!"

Other commodity exporters had learned from the OPEC experience and, although there was limited success in attempts to establish other commodity cartels, some of the Third World nations did attempt to use their natural resource leverage at the Nairobi conference. The demands of the Third World at UNCTAD IV included:

- the establishment of a joint fund for commodity stockpiles;
- "indexing" of raw materials' prices with those of manufactured goods;
- reduced tariffs on Third World exports;
- increased emphasis on the transfer of industrial capacity to the developing world, with international organizations and the industrialized countries supplying the necessary funds; and,
- a moratorium on Third World debts of around \$30 billion.

The developed countries decided that they could not afford to meet these demands, but did agree to further discussion at future conferences.

Total development funds from the 17 most-developed nations had increased from \$15.7 billion in 1970 to \$27.6 billion in 1976. Most of the increase, however, was in private investment, and few countries achieved the UN goal of 0.7 percent of GNP for government, or "concessional," foreign aid. By 1977, the overall rate of official development aid (ODA) from the developed nations was 0.30 percent of GNP. Only three nations exceeded the 0.7 percent goal: Sweden, with 0.99 percent, the Netherlands, 0.84 percent, and Norway, with 0.82 percent. Some of the richest nations' contributions were especially low: the Federal Republic of Germany, 0.26 percent; United States, 0.22 percent; and, Japan, 0.21 percent.

During the 1970's, private financing, especially from commercial banks, became the most important source of external funding for many development projects in the Third World. This is illustrated by the fact that, as total outstanding debt of a sample of 94

developing countries grew at an annual rate of 20.2 percent, debt owed to private banks was increasing at about 47 percent per annum.⁸

UNCTAD V

As UNCTAD V drew near, it was apparent that the International Development Strategy adopted by the UN General Assembly in 1970 was not proving effective. In the period 1970-77, the average rate of growth of per capita gross domestic product in the low-income developing countries was only 1.2 percent per year, compared with the strategy target of 3.5 percent, while in the hard core of least-developed countries the rate was only 0.7 percent. The structural changes deemed indispensable both for accelerating economic development in the Third World, and for restoring the longer-term growth potential of the world economy as a whole, were scheduled for intensive consideration at the Manila conference. Considered crucial to prospects for restructuring the international division of labor, for example, were discussions on protectionism, expansion of exports of manufactured goods from developing countries, strengthening of the technological capability of developing countries, increased participation of these countries in world shipping, and trade and economic cooperation among countries with different economic and social systems.

Despite general agreement in principle on the benefits to the Third World of greater technological development and liberalization of trade, the faltering world economy has given rise to a new wave of protectionism. Public discussion focuses increasingly on the threat to Western manufacturers from imported Third World commodities. This protectionist trend was one of the major issues at the Manila conference due to the paramount importance of fair and unrestricted trade to the extremely export-oriented developing nations.

The developing countries also lag far behind the industrialized nations in technological development, and are thus largely dependent on them in that sector. One of the LDC demands at UNCTAD V was a legally-binding international code of conduct that would curtail the actions and economic power of the providers of technology to enable the developing countries to adequately guard their own interests. The industrialized nations did not want to make such a code of conduct binding in law. Instead, they

offered to provide additional assistance in teaching technological skills in the developing countries.

The results of the UNCTAD V session in Manila were disappointing in terms of overall accomplishment. Although there were pledges of larger aid programs for the world's most backward nations, and agreements to reduce trade barriers and attempts to stabilize raw materials prices, Third World demands for a new international economic order again went largely unsatisfied. Observers noted that the conference highlighted the ideological differences between the developed nations, which say free-market forces can spur development around the globe, and the developing nations, which favor international planning and the establishment of a new order by decree. According to Count Otto Lambsdorff, West Germany's Minister for Economic Affairs, the conference's "most deplorable failure" was an inability even to agree on a description of the state of the world economy today, a necessary preliminary to the UN Special Session in 1980 opening the UN Third Development Decade.⁹

CONFLICTING VIEWS

The Third World countries strongly reject the advice given by the wise man of legend. When approached by a grief-stricken man who said: "I am poor and hungry, and I can't sleep for worrying about feeding my family," the wise man replied: "Be patient, and your worries will be over." As the poor fellow's face lit up with hope, he asked: "Do you mean that I am going to be rich?" "No," replied the wise man, "You will get used to being poor!"

But the developing nations of the world are not content to "get used to being poor!" With respect to North and South, renouncement and resignation are things of the past. The tenor of recent conferences and recognition of the urgency of the many still unsolved problems suggest that in the long term, cooperation to redress the persistent world economic imbalance may be the most compelling issue of our time.

The drive for a new international economic order has been described in the larger historical context as the counterpart of the drive of the less-privileged sectors of our own society for more equity in sharing the benefits of our domestic economic growth. It has been observed that, just as in our society the poor could not depend on the charity or good will of the privileged to accomplish

desired changes but had to resort to the power and leverage of the political process and the trade unions, so are the developing countries seeking to achieve their objectives through global bargaining.¹⁰

In the capitalist domestic economies of the 19th century, the political will of the workers finally achieved for them a negotiating position leading to more humane working conditions. But much conflict and even considerable bloodshed ensued before it was generally accepted that higher wages were not damaging, but actually beneficial to economic growth, because they represented increased purchasing power.¹¹

As was the case in the 19th century domestic struggles for economic justice, progress in the current international arena comes slowly, and there is strong opposition in some quarters against many of the fundamental tenets of international development. Protectionism, for example, the bane of Third World development in the manufacturing sector, is demanded by seemingly threatened industries in the developed world. Some of the protectionist devices which have been employed have included the escalation of tariffs according to the degree of processing a product had undergone; differentiation in transport charges in favor of the unprocessed as against the processed forms of commodities; and, the use by the industrialized nation of superior bargaining power to impose "voluntary" restrictions on exports.

The UN Declaration on the Establishment of a New International Economic Order, adopted by consensus but with reservations by the United States and other industrial nations, has been criticized as "extravagant aspirations well beyond the financial and managerial capabilities of the world community."¹² Critics have further pointed out that there are not enough raw materials, fertile land, capital and oil on the earth to enable the world's population of four billion to reach the standard of living of the developed nations. They are quick to affirm that not even the free market economy can work this miracle. Furthermore, as pointed out by the West German delegate at UNCTAD V, there is a gigantic shortfall in development aid by the Communist countries. He observed that the much-maligned capitalist industrialized countries in the West outstrip the East block 25-fold as buyers of Third World goods. And what little aid the COMECON countries provide consists largely of military hardware.¹³

THE US AID PROGRAM

Some critics of US foreign policy assert that the predicament in which the world finds itself is largely a result of a much less than satisfactory development aid program in support of the developing nations. They echo the claims, often heard from the Third World countries themselves, that development aid programs in general, and those of the United States in particular, have been used as a means of perpetuating and even strengthening the economic and political dependence of African, Asian and Latin American states on the richer nations.

In rebuttal, former Secretary of State Cyrus Vance has outlined the fundamental policy objectives guiding the foreign assistance efforts of the United States, as follows:¹⁴

- To demonstrate America's compassion for the poor and dispossessed around the world—those, who through no fault of their own, are exposed to daily suffering and humiliation and are struggling to survive;
- To make our fair contribution to the enormous task of the social, economic, and technological development of poor countries—an investment which in this interdependent world can pay us handsome dividends;
- To foster a climate of constructive cooperation, dialogue, and reciprocal benefit in our North-South diplomacy;
- To contribute to the cause of peace by providing incentives, in terms of economic and physical security, for the resolution of old—and potential—disputes;
- To maintain and foster the environment of international peace and security essential to social, economic, and political progress through selective military assistance that assures our friends and allies adequate self-defense while preserving regional arms balances;
- To take the lead in encouraging the evolution of a world order based on an open economic system, a political structure reflecting a just balance of rights and obligations for all nations, and social progress and human rights for individuals wherever they might be.

Commendable as these objectives obviously are, the implementation of programs to achieve them has shown no remarkable success in recent years. For two decades following initiation of the Marshall Plan, the United States was the world's recognized leader in foreign assistance efforts. In 1968, for a

number of reasons including the Vietnam War and a greatly increased concentration on domestic economic and social problems, the US Congress slashed the foreign aid budget by 40 percent to a 21-year low of less than \$2 billion. US foreign aid today has been called "a hodgepodge of programs with a muddle of purposes directed by a multitude of agencies." The current US lack of commitment has been emphasized by John Gilligan, former chief of the Agency for International Development, in a reminder that we spend more money on dog food than we do on the 600 million people in the world who are malnourished.¹⁵

PUBLIC VERSUS PRIVATE DEVELOPMENT AID

Much of the development funds available to Third World nations today, and most of the US share, is in the form of private investment, and debate continues on the relative merits of private investment and official development aid in accomplishing the world development mission. It is true, as claimed by some, that simple redistribution of wealth is not the answer. Even if the industrial countries donated the UN goal of 0.7 percent of GNP to development aid, it would not produce affluence in the poor countries. Monetary aid must be complemented by industrial investment, and dollar for dollar private investment can be more effective than official foreign aid since it can be linked more closely with the kinds of management skills and the technology appropriate for industrial projects in the recipient country.

On the other hand, as frequently pointed out by Third World representatives, private investment is usually made in areas promising a quick return on capital, and leads to increasing dependence of recipient on investor. Short-term private lending to developing countries frequently saddles the borrower with an overwhelming burden of debt. What is needed, they insist, is long-term, low-interest loans, or grants, to the developing nations. A German observer of UNCTAD V recognized this problem with the statement:

We...cannot expect to be loved if we describe the private investments of powerful...enterprises well on the way to becoming multinationals as development aid—and thus reach the 0.7% GNP target.¹⁶

THE CHALLENGE

The erratic progress, the continuing undercurrent of confrontation, and the apparent stalemate in many of the important issues reveal the need for a strong and dedicated champion to carry the banner of international development in the world arena. The United States led the way, but faltered in 1968. West Germany subsequently tried to take the lead, but lacked the power to be a decisive influence. Sweden leads in percent of GNP dedicated to development aid, but does not have the capacity to lead other than by example. The realities of the world power structure clearly identify the United States as the only nation with the economic, political and potential moral strength to lead the world toward its development goals. Unless we resume this position of leadership, there is little likelihood of significant progress toward a new and equitable world order in the foreseeable future.

The debate concerning private versus official development aid could be partially resolved, and Third World development enhanced significantly, by a positive program of cooperation between the United States and the other industrial nations, and selected multinational corporations headquartered in their territories. Much has been written about the multinational corporation, in particular the US-financed multinationals. Many articles are critical of their potential dominance of world production, their role in international monetary crisis, and their occasional attempts to meddle in the political affairs of host countries. Very little has been said, however, of the potential which exists for positive action in support of US and world interests. A cooperative partnership between certain multinational corporations and their parent government—brought about by whatever method is effective, tax incentives or other inducements—could be very effective in transferring management skills, industrial capability and the capacity for creating and adapting appropriate technology to developing nations. Official development aid funds could be put to good use in providing incentives for the multinationals to undertake joint projects with the LDC's which in themselves might not promise early returns on investment.

Victor Papanek, Dean of the School of Design at the California Institute of the Arts, has been extremely critical of industrial designers who "go on littering the planet with ugly, unnecessary gadgets very few can afford." He and his students have devoted

their energies to inventing and designing products specifically for the Third World and other disadvantaged groups. Among their inventions are a tin can radio costing 9 cents (powered by wax, paper, dried cow dung or anything that will burn), an \$8 educational TV set designed for manufacture in underdeveloped countries, a \$6 modular cooling unit for perishable goods, and muscle-powered vehicles modeled after the bicycle transports used on the Ho Chi Minh Trail. Emphasis on this kind of innovative thinking and design, supported by joint government-multinational corporation effort, would go far toward solving many development problems. Assistance to the developing countries in setting up their own "appropriate technology research and development centers" would also help greatly in producing locally suitable industries and products.^{17, 18}

Another fruitful area for the use of official development aid is in what has been called Security Supporting Assistance (SSA). Currently, US SSA funds are designed for economic assistance to countries experiencing political and economic distress where US security interests are jeopardized (e.g., the Middle East). This funding should be increased greatly in both amount and scope, and extended to other poor nations even where no immediate threat exists to US security interests.

Security Supporting Assistance could encompass a number of mutually beneficial activities, such as assistance in mining a strategic material, development of the logistical infrastructure of a developing country, and other economically-oriented assistance directly affecting the economic stability—and thus the security—of the recipient country. Benefits of such aid could accrue to the United States in several ways. Improvements in the logistical infrastructure in areas of strategic importance to the United States, and increased economic and trade interdependence with critical materials suppliers, with resulting reduction in the likelihood of economic coercion directed against the United States, are two possibilities.

In a recent Stanley Foundation publication, Ward Morehouse has emphasized a point critical to the success, and popular acceptance, of US development programs. He writes:

Any set of U.S. policies designed to be more responsive to the needs of the world's poor countries must be accompanied, if not preceded, by policies designed to promote full employment and to attack the stubborn problems of

'structural unemployment,' especially among minority groups in the United States. It is politically unrealistic to talk about mounting a global war on poverty when we have a national unemployment rate of six or seven per cent and unemployment among some categories of minority workers as high as 40 per cent. What the administration needs is a comprehensive domestic employment policy to accompany its proposed energy and welfare policies. Such an employment policy must include *effective* adjustment assistance and labor market policies designed to protect U.S. workers from being displaced by rising imports from those countries which do meet socio-economic equity performance criteria.¹⁹

It is now widely accepted that positive action to create a new world economic order is in the mutual interest of the entire world community. We maintain that a positive, sustained and imaginative program on the part of the United States is the key factor. As Secretary of State Vance has stated:

We recognize that a well-managed foreign assistance program contributes to the economic performance of the developing countries. Their growth has become an increasingly important factor in the health of our own economy. Aiding that development is not only an investment in the future of others; it is an investment in our own future as well.²⁰

Despite the political and economic barriers and forces which oppose any increases in US foreign aid programs, the nation as a whole must come to realize that what happens in the developing world in the next few decades will affect decisively the character and quality of the lives of those in the more affluent nations. Unless progress continues to be made toward reaching a more equitable world order, the disparities between rich and poor could turn cooperation into conflict.

1. Fritz Baade, *Weltweiter Wohlstand. Der Wettlauf der Völker zum Jahre 2000* (Worldwide Prosperity. The Race Between Nations to the Year 2000), Oldenburg: Gerhard Stalling Verlag, 1970. Quoted by Hussein Mullick in "The Social Powderkeg," *The German Tribune Supplement*, February 24, 1972, p. 14.
2. Edward Teller, keynote speech at Conference of Society of Research Administrators, San Antonio, Texas, October 10, 1977.
3. Clyde H. Farnsworth, "Long Process Seen in Revising Economic Order to Aid Poor Lands," *The New York Times*, June 1, 1976, p. 3.
4. John G. Sommer, *Beyond Charity*, Overseas Development Council, 1977, p. 2; Hans Matthoffer, "Development Aid Policies Start From Below," *The German Tribune Supplement*, July 19, 1973, p. 3.
5. Otto Matzke, "Aid and Trade—The Unsolved Dilemma," *The German Tribune Supplement*, January 18, 1973, p. 3.
6. In fact, the "Group of 77" has a membership of 112 developing countries, working together to plan strategies for the solution of Third World problems (see figure 1).
7. By 1978, the suggestion had been put forth that the developing countries should be classified into four groups: oil producing countries, high growth countries, potential high growth countries, and poor countries.
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16. Christian Schutz, "UNCTAD Storm on Aid Awaits Bonn Delegation in Manila," *The German Tribune*, May 6, 1979, p. 1.
17. Victor Papanek, *Design for the Real World*, New York: Random House, 1971.
18. One of the best examples of this concept is Los Gaviotas, an appropriate technology research and development center in the largely unsettled Llanos region of Colombia, which was conceived about 10 years ago by Paolo Lugari Castrillon, a 32-year-old community organizer. This locally initiated and organized R&D center has been responsible for the design and development of six new devices: a pedal-powered yucca grinder that does two-months' work in a day, permitting Llanos farmers to raise and export the starchy root; an inexpensive windmill that pumps irrigation and drinking water in breezes of only 5 miles an hour; two kinds of low-

cost water pumps, one hand-powered, the other electrical; a solar heater that pasteurizes water; and, a small stream-powered turbine. After six years of growth, Los Gaviotas now attends to the agricultural, medical, educational, transportation and supply needs of 100,000 settlers. Boyce Rensberger, "Technology Spreading in Third World," *The New York Times*, April 10, 1979, p. C-2.

19. Ward Morehouse, *Science, Technology, and the Global Equity Crisis*, Occasional Paper No. 16, Muscatine, Iowa: The Stanley Foundation, May 1978, p. 29.

20. Secretary of State Cyrus R. Vance, Speech Before the American Association of Community and Junior Colleges, Chicago, Illinois, May 1, 1979.

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20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This memorandum considers the enormous and in some cases still growing gap which remains between the levels of economic and social welfare of the advanced countries and the developing countries. The author contends that the realities of the world power structure clearly identify the United States as the only nation with the economic, political and potential moral strength to lead the world toward its development goals. However, he continues, the United States has never reached the UN goal of official development assistance of 0.7 percent		

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of GNP and frequently has been guilty under domestic pressures of protectionism against Third World exports. He concludes that the long-term strategic as well as humanitarian importance of achieving a more equitable world order dictates that the United States review its development aid policies with a view to stabilization and broadening of the economic base of developing nations.

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